

Financial Results Presentation for Q1 FY2017
Summary of the main questions and answers

Q1. Concerning advertising expenses of 1.54 billion yen in Q1, how was the acquisition cost per user relative to your forecast? Is there any change in your forecast for advertising expenses for the full year?

A1. An acquisition cost per user was as we planned, but the acquisition cost is on an upward trend because we shifted the admission incentive of music.jp at cellphone shops from a 400-yen course per month to a 500-yen and a 1,000-yen.

Advertising expenses for the full year were expected to be 7.0 billion yen at the beginning of the year, and this remains unchanged as of this moment.

Q2. Regarding the capital policy, what is your policy on the share buyback in the future?

A2. We will consider the acquisition of our own shares assuming there is no insider dealing and if the share price stays at an attractive level, comprehensively taking it into account in accordance with our basic capital policy.

Q3. What are the size and business performance of Automagi Inc., a subsidiary that develops the AI business?

A3. Net sales and operating income of the subsidiary Automagi Inc. for the fiscal year ended September 30, 2016 were 810 million yen and 40 million yen, respectively. We expect that net sales and operating income in the fiscal year ending September 30, 2017 will be on a par with the previous year. However, given that the existing businesses will decrease while the AI business will increase, we think that the weight of AI will be larger even if the size of net sales is the same.

Q4. With respect to the expansion of tie-ups with MVNO operators, I think that the use of smartphone content will decrease if low-cost smartphones will rise in the market. What do you think of this? If the cellphone unit sales of those other than the three major cellphone carriers grow, will the content acquired by your company decrease?

A4. It is true that low-cost smartphones are purchased by consumers who are sensitive to the price from the beginning, and it will be difficult to sell content if this is the case. However, if low-cost smartphones become popular, the percentage of those who are sensitive to the price will decrease. Therefore, we think that the handling of content by the MVNO operators will be expanding.

Because we have business with almost all the MVNO operators, we will maintain and expand the content acquired by expanding business with each of them.

Q5. Given the number of paying subscribers in Q1, what is your prospect for the number of paying subscribers at the end of the fiscal year?

A5. The number of paying subscribers in Q1 was 7.04 million, 60 subscribers less than our forecast of 7.1 million subscribers. We expect that the number of paying subscribers at the end of September 2017 will be 7 million and do not change this forecast. We will revise it if there is a major divergence from our forecast in Q2, which is the biggest selling season.

Q6. While you have been developing the healthcare-related service business, is there anything that looks likely to grow the most in the medium and long term, or anything that you think is promising from your experience in the past year? Please tell me, if any.

A6. In the exercise management service which is developed by a subsidiary, the number of contracts, particularly those with schools (for their club activities), is increasing. This is one of the businesses we are focusing on because it is relatively easy to win a contract in our sales activities and customers use the service on an ongoing basis.

The introduction of the electronic maternity health record book service is also making steady progress, and orders are increasing as a result of individual visits to municipalities throughout the country. We also think that our service will become closer to what the municipalities want if we continue to add functions, so that our sales activities will take more effect.

Dispensing pharmacies that deal with the electronic medicine notebook application are increasing. We think that the number of contracts will also increase in this service if we continue to conduct sales activities.

On the other hand, we think that it will take a little more time for the checkup service for corporations to take shape as a business model.